Financial Services
Commission
of Ontario

Financial Services Commission of Ontario

Agency Business Plan 2016–19

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Executive Summary

The Financial Services Commission of Ontario (FSCO) was established under the Financial Services Commission of Ontario Act, 1997 (FSCO Act) with a legislative mandate to provide regulatory services that protect the public interest and enhance public confidence in the sectors it regulates. FSCO is accountable to the Minister of Finance. FSCO exists as an independent regulator to enforce legislation, protect public interests and support a strong financial services industry.

FSCO is an integrated regulator delivering regulatory and supervisory services for the insurance, deposit institutions, and pension plans sectors. Specifically, FSCO regulates the insurance sector, pension plans, loan and trust companies, credit unions and caisses populaires, the mortgage brokering sector and co-operative corporations in Ontario, and service providers who invoice auto insurers for statutory accident benefits claims. FSCO is also responsible for the administration of the Motor Vehicle Accident Claim Fund (MVACF), the Pension Benefits Guarantee Fund (PBGF), and the Financial Services Tribunal (FST).

FSCO regulates the financial services sector to maintain market confidence and financial system stability, to protect consumers from market practices that are unfair or harmful, and to mitigate the potential for regulated business activity being used for unlawful purposes. FSCO's activities align with the government's multi-year priority outcomes of providing a dynamic and supportive business environment and improved retirement income security.

By regulating these sectors, FSCO provides financial services consumer protection and helps reduce systemic risk to the financial services industry and the economy, which could otherwise have significant and far-reaching consequences. To this end, regulatory decisions that address fair treatment of customers, registrant suitability and solvency, and automobile insurance rate approvals and declinations rules are necessary, and can be contentious in light of competing stakeholder interests. FSCO delivers regulatory services for the pension plan sector by administering the Pension Benefits Act and its supporting regulations, including monitoring and enforcing the minimum standards contained therein. Employment pension plans represent an important source of retirement income for Ontarians, beyond publicly funded programs.

Under the Government of Ontario's Agencies and Appointments Directive (AAD), FSCO develops and submits an Agency Business Plan on a yearly basis to the Minister of Finance. The Agency Business Plan outlines FSCO's strategic directions and priorities, and provides an overview of current and future programs and activities for 2016–19. It also outlines the mandates, strategies and priorities of the FST and MVACF.

Strategic Direction

FSCO is committed to being a progressive and fair regulator, working with stakeholders to support a strong financial services industry, and protecting the interests of financial services consumers and pension plan beneficiaries.

FSCO continues to be guided by its 2015-18 strategic plan to be an effective regulatory supervisor that protects the public interest in the financial services marketplace. The plan positions FSCO to remain efficient, effective, and adaptive to changes in the regulatory landscape.

In March 2015, the government announced a review of the mandates of FSCO, the FST, and the Deposit Insurance Corporation of Ontario (DICO). The expert panel is expected to deliver its final recommendations to the government in 2016. FSCO welcomed the review and remains committed to working with the Ministry of Finance on any changes that may result to its mandate.

In order to deliver on this vision, FSCO has identified three over-arching goals:

- Be risk-based, proactive, evidence-based, balanced, transparent, service-oriented, and collaborative in its work;
- Further a coordinated national approach to regulatory issues; and
- Be a recognized thought leader in regulatory policy.

FSCO will build its capacity to be agile and adaptable in delivering its mandate in the changing environment. FSCO will focus its efforts on core activities and initiatives that are aligned with its strategic outcomes to fulfill its mandate and achieve its goals. There will be continued investment in FSCO's core business and infrastructure to enhance service delivery and operations. Two projects in particular, if approved, will transform FSCO's service delivery: FSCO will be seeking approval to proceed with the Enterprise Development Program (EDP) and the Enterprise Resource Planning (ERP) System. EDP and ERP will be scalable and adaptable to any changes that may arise from the mandate review.

Key Achievements in 2015-16

FSCO rolled out a new three-year strategic plan

In 2015, FSCO developed a strategic plan that sets the direction for the organization over a three-year period, 2015-18.

FSCO and the Ministry of Finance completed a review of their Memorandum of Understanding (MOU)

As required under the AAD, a full review of the Memorandum of Understanding between the Minister of Finance and Chair, Financial Services Commission and Financial Services Tribunal and the Chief Executive Officer and Superintendent of Financial Services was completed and submitted to the Ministry for signature.

FSCO implemented an Enterprise Risk-Based Approach

In March 2015, FSCO developed risk-based approaches for all areas of FSCO to ensure that FSCO is risk-based, proactive, evidence-based, balanced, transparent, service-oriented, and collaborative in its work. The Risk-Based Approach (RBA) is a decision-making framework and set of procedures to direct regulatory efforts and deploy resources in proportion to the risks that are posed to the desired regulatory outcomes.

FSCO provided support to the Ministry of Finance and Ministry of the Attorney General on the transition of auto insurance dispute resolution services

Bill 15 transfers dispute resolution services from FSCO to the Ministry of the Attorney General's (MAG) Licence Appeal Tribunal (LAT). The transition date is April 1, 2016. Following transition, FSCO will continue to conduct mediations, arbitrations and appeals on files already open at FSCO.

Auto Insurance Reforms

The 2015 Ontario Budget announced auto insurance reforms to strengthen consumer protection, further reduce costs in Ontario's auto insurance system, and provide Ontario consumers with more choice in purchasing auto insurance coverage to suit their needs. FSCO is leading the implementation in close collaboration with the Ministry of Finance. FSCO continued to work with stakeholders on activities related to the Anti-Fraud Task Force recommendations which have received implementation approval through successive Ontario Budgets between 2013 and 2015. FSCO continues to implement the balance of the Anti-Fraud Task Force Report recommendations.

Usage-based automobile insurance (UBI) rating plans approved

FSCO is approving UBI programs on a conditional and discount-only basis in order to allow insurers to gain statistically relevant experience. After gathering experience over the two-year conditional approval period, insurers may be able to develop and bring forward comprehensive and fully developed usage-based insurance pricing models. This gradual approach also gives consumers both comfort and confidence to try and use this new technology as a means to reduce their insurance costs while being protected from extreme premium fluctuations. As of January 2016, FSCO has approved usage-based auto insurance programs for 17 insurers representing approximately 56 per cent of the Ontario private passenger automobile market. FSCO is continuing to work with several other insurers that have expressed interest in introducing usage-based programs in the near future.

Credit Unions and Caisses Populaires Act, 1994, review completed

FSCO assisted the Ministry of Finance in supporting Parliamentary Assistant Laura Albanese's five-year statutory review of the Credit Unions and Caisses Populaires Act, 1994. In November 2015, her report was delivered to the Minister of Finance for review.

Investor/Lender Disclosure Statement Review completed

FSCO reviewed the Investor/Lender Disclosure Statement for Brokered Transactions to ensure there is sufficient and adequate disclosure to investors. FSCO collaborated with stakeholders to update the form. In addition to the main form, there is an addendum form specifically for construction and development loans. The new forms were made available on the FSCO website in July 2015.

Harmonized Life Licence Qualification Program launched

To meet the Superintendent's statutory obligation under Regulation 347/04, FSCO joined with Canada's other insurance regulators to harmonize life insurance agent qualification and proficiency requirements across Canada. This program furthers a coordinated national approach to regulatory issues: all life insurance agents in Canada will be measured against one common proficiency standard; and a modular examination supports public protection by ensuring all life agents have at least a minimal understanding in each area in which their licence allows them to operate.

Mortgage Broker Regulators' Council of Canada (MBRCC) Product Suitability reviewed

FSCO researched and analyzed regulatory requirements governing the activities of mortgage brokers in other countries to better understand mortgage brokering practices related to product suitability and identify potential gaps in consumer protection. A survey was also conducted to identify the current practices of mortgage brokers in Canada. As a result, consumer education materials were developed to describe the processes and practices to expect from a mortgage broker.

FSCO continued to distribute fraud prevention information via social media

FSCO and the Toronto Police Services, along with other national and provincial partners, continued to host #fraudchat, a weekly Twitter chat on topics related to financial crime and fraud prevention. The program gives people regular access to a police officer and a representative from a financial services regulator in order to ask questions about scams and fraud prevention.

FSCO provided support for the government's retirement security initiatives

FSCO provided support to the government's retirement security initiatives, including providing support to the Ministry of Finance with the drafting of new regulations under the Pension Benefits Act and providing data on the pension sector to the Ontario Retirement Pension Plan Implementation Secretariat.

FSCO launched a Video Guide to Retirement Planning

In November 2015, FSCO launched a series of easy-to-understand videos on its website aimed at helping Ontarians prepare for and make informed decisions about their retirement.

FSCO made investments in its human capital

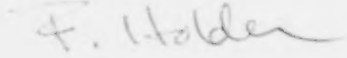
In 2015, FSCO reintroduced a succession management strategy that contributes to continuity in key positions, while enabling the organization to develop and retain leadership capacity for the future.

Revenues and Expenditures

Most of FSCO's costs are recovered from the regulated sectors through a combination of assessments and fees. FSCO's spending authority for 2015-16 was based on revenues of $106,440,100 and expenditures of $108,928,700, with the residual of $2,488,600 offset against FSCO's budget appropriation. Actual revenues and expenditures for 2015-16 will be published in FSCO's Annual Report. The Office of the Auditor General of Ontario audits FSCO's annual financial statements. FSCO's requested spending authority for 2016-19 is outlined in the section on Resources Required to Achieve Outcomes.

FSCO's 2016-19 Agency Business Plan provides direction for the present while also positioning the organization to take on any new responsibilities identified through the government's review of FSCO's mandate and to address any emerging regulatory needs that may arise in the dynamic financial services sector.

Brian Mills
Interim Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario



Florence A. Holden
Acting Chair, Financial Services Commission of Ontario
Acting Chair, Financial Services Tribunal

Mandate

FSCO's Legislative Mandate

FSCO's legislative mandate is to provide regulatory services that protect the public interest and enhance public confidence in the sectors it regulates.

FSCO is committed to being a progressive and fair regulator, working with stakeholders to support a strong financial services industry, and protecting the interests of financial services consumers and pension plan beneficiaries.

In the 2014 Ontario Budget, the government announced it would be undertaking focused mandate reviews of government agencies. In March 2015, the government announced an expert panel to review the mandates of FSCO, the FST, and DICO. The panel released a preliminary position paper in November 2015 for comment. The expert panel expects to deliver its recommendations to the government in 2016.

FSCO welcomed the review and remains committed to working with the Ministry of Finance on any changes that may result to its mandate to ensure that its activities and services continue to align with the needs of Ontarians.

As an integrated regulator in the inter-connected financial services marketplace, FSCO takes a holistic approach to the regulation of the sectors to deliver on its mandate of protecting the public interest.

As of December 31, 2015, FSCO regulated or registered:

- 327 insurance companies
- 7,059 pension plans
- 110 credit unions and caisses populaires
- 51 loan and trust corporations
- 1,196 mortgage brokerages
- 2,696 mortgage brokers
- 10,977 mortgage agents
- 143 mortgage administrators
- 1,800 co-operative corporations
- 51,324 insurance agents
- 5,511 corporate insurance agencies
- 1,510 insurance adjusters
- 4,274 accident benefit service providers

Ensuring Compliance with the Law

FSCO's primary role is to ensure compliance with the laws governing each regulated sector so that consumers and pension plan beneficiaries are well protected. In order to ensure compliance, FSCO administers and enforces several statutes and corresponding regulations. FSCO develops administrative and regulatory policies and procedures to support enforcement of the law, and takes timely regulatory action to correct or terminate activities that do not comply with the law. Compliance is one of the ways that FSCO fulfills its legislative mandate, but it is not the only one.

FSCO regulates the following financial services sectors in Ontario, and ensures the sectors comply with the corresponding legislation:

Sector	Corresponding Statutes
Co-operative Corporations	• Co-operative Corporations Act and Regulations
Credit Unions and Caisses Populaires	• Credit Unions and Caisse Populaires Act, 1994 and Regulations
Health Service Providers	• Insurance Act and Regulations
Insurance	• Insurance Act and Regulations • Automobile Insurance Rate Stabilization Act, 2003 and Regulations • Compulsory Automobile Insurance Act and Regulations • Prepaid Hospital and Medical Services Act • Motor Vehicle Accident Claims Act and Regulations
Loan and Trust Companies	• Loan and Trust Corporations Act and Regulations
Mortgage Brokering	• Mortgage Brokerages, Lenders and Administrators Act, 2006 and Regulations
Pension Plans	• Pension Benefits Act and Regulations

FSCO's approach to fulfilling its legislated regulatory responsibilities is outlined in greater detail in its Regulatory Framework document which is posted on the FSCO website.

Providing General Supervision of the Regulated Sectors

FSCO also has a general supervisory role that focuses on ensuring that the regulated sectors are sustainable, dynamic and innovative, that consumers are treated fairly, and that pension plan beneficiaries' benefits are secure. This supervisory role includes monitoring the regulated sectors, influencing the behaviour of licensees or registrants, and providing advice and recommendations to the Ontario government. FSCO supervises the financial sectors by performing its core regulatory activities.

Vision

FSCO's vision is to be an effective regulatory supervisor that protects the public interest in the financial services marketplace.

This vision, first identified in FSCO's 2015-18 Strategic Plan, reflects and renews FSCO's commitment to its supervisory role.

Governance and Accountability

FSCO is comprised of a five-member commission, the Superintendent of Financial Services (who is also a member of the commission) and staff, and the Financial Services Tribunal.

Commission Membership and Purposes

FSCO is governed by a five-member commission, consisting of the Superintendent of Financial Services, the Director of Arbitrations, a part-time Chair, and two part-time Vice-Chairs. The Chair and Vice-Chairs are also the Chair and Vice-Chair of the Financial Services Tribunal. Each member is appointed for a fixed term by the Lieutenant Governor in Council. Appointments to the commission are made in accordance with the guidelines established by Ontario's Public Appointments Secretariat.

Name	Position
Florence A. Holden	Acting Chair
Denis Boivin	Acting Vice-Chair
Vacant	Vice-Chair
Tom Golfetto	Director of Arbitrations
Brian Mills	Interim CEO and Superintendent of Financial Services

The commission is required to review and approve key planning, strategic and accountability documents, including FSCO's Agency Business Plan, Program Review, Renewal and Transformation Plan, Risk Mitigation Plan, Statement of Priorities and Annual Report. The Superintendent and the Chair are members of FSCO's Audit and Risk Committee and the Vice-Chairs and Director of Arbitrations are invited to attend meetings.

Superintendent and Staff

The Superintendent of Financial Services (Superintendent) administers and enforces the FSCO Act and all other acts that confer powers on or assign duties to the Superintendent. The Superintendent is also the CEO of FSCO and is appointed under the Public Service of Ontario Act, 2006. Under the FSCO Act, the powers and duties of the Superintendent include:

- Generally supervising the regulated sectors;
- Administering and enforcing the FSCO Act and every other act that confers powers on or assigns duties to the Superintendent; and
- Being responsible for FSCO's financial and administrative affairs.

All FSCO staff report directly or indirectly to the Superintendent. FSCO staff, who are public servants under the Public Service of Ontario Act, 2006, perform FSCO's day-to-day work which includes:

- **Regulatory activities**: This includes regulatory policy and coordination, licensing and registration, filings and applications, monitoring and compliance, as well as enforcement and intervention.
- **Program delivery:** This includes delivering dispute resolution services, and overseeing the PBGF and MVACF.
- **Enabling functions:** FSCO's regulatory activities and program delivery functions are supported by the Corporate Services, Strategic Communications, Enterprise Business Solutions and Legal Services Branches. These branches are responsible for financial and resource management, procurement, general administration, strategic, operational and human capital planning, contact centre services, communications, information technology, and legal services.

For a senior management overview, please refer to Appendix 1 – FSCO Organizational Chart.

Financial Services Tribunal

The Financial Services Tribunal is an expert adjudicative tribunal established under the FSCO Act. The Chair and Vice-Chairs of the FST are also the Chairs and Vice-Chairs of the commission. FSCO provides the FST with supporting staff, space, information technology resources, and financial funding. For more information, see the section on the FST.

Governance and Management Processes

The foundation for FSCO's corporate governance is provided by the Management Board of Cabinet's Agencies and Appointments Directive (AAD) and the Memorandum of Understanding (MOU) between the Minister of Finance, the Chair of the Commission and the Superintendent of Financial Services/Chief Executive Officer and pursuant to the FSCO Act.

The AAD sets out the process for establishing a new agency classified under the directive, the accountability framework governing agencies and ministries in the operation of agencies, and uses a risk-based approach in managing agency accountability.

The MOU outlines the accountability framework between the Minister and FSCO, establishes tools for governance and accountability and explains roles, relationships and mutual expectations. The MOU is updated every five years or more often if necessary.

Performance Measurement Framework

FSCO's Performance Measurement Framework provides greater transparency, accountability and value-for-money. It articulates FSCO's goals into actionable outcomes that can be measured and refined over time. As part of both FSCO's 2015-18 Strategic Plan and the Program Review, Renewal and Transformation (PRRT) process, FSCO is examining its key performance measures.

Financial Reporting and Accountability

As an Ontario government agency, FSCO receives an annual spending authority through the government planning process, based on needs and government priorities. FSCO files quarterly reports on its spending. The Office of the Auditor General of Ontario audits FSCO's annual financial statements.

FSCO's Audit and Risk Committee (ARC) helps the CEO/Superintendent discharge his responsibilities related to financial affairs and risk management.

Recovering FSCO's Costs

Most of FSCO's costs are recovered from the regulated sectors through a combination of assessments and fees. Under the FSCO Act, the Lieutenant Governor in Council may assess all businesses, individuals and pension plans that form part of a regulated sector with respect to expenditures incurred by the Ministry of Finance, the Commission and the FST. The Minister of Finance is authorized to establish fees with respect to the regulated services provided by FSCO.

The government supports co-operative corporations by providing an annual allocation of $500,000 to help cover the costs of administering the sector.

How FSCO Fulfils the Government's Priorities

As a regulatory agency that is accountable to the Minister of Finance, FSCO contributes to the government and Ministry priorities.

FSCO regulates the financial services sector to maintain market confidence and financial system stability, to protect consumers from market practices that are unfair or harmful, to enhance retirement income security, and to mitigate the potential for regulated business activity being used for unlawful purposes.

This regulation reduces systemic risk to the financial services industry and the economy, which could otherwise have significant and far-reaching consequences. To this end, regulatory decisions are necessary, and frequently are contentious in light of competing stakeholder interests. For these reasons, FSCO exists as an independent regulator to enforce legislation, protect public interests and support a strong financial services industry and a secure retirement income system.

Building on its core regulatory activities, FSCO is supporting or directly contributing to the government's economic plan and actions as outlined in the 2014 and 2015 Ontario Economic Outlook and Fiscal Review and the 2015 and 2016 Ontario Budgets, including:

- Creating an Innovative and Dynamic Business Environment and Strengthening the Financial Services Sector
    - FSCO is participating in the modernizing of Ontario's financial services through the government's reviews of:
        - FSCO's and the FST's mandates to further modernize regulation of financial services and advance ongoing work on pension reform; and
        - The legislative framework for credit unions and caisses populaires.
    - FSCO is protecting Ontario consumers by implementing the government's reforms aimed at fighting insurance fraud and abuse in order to make auto insurance more affordable for Ontarians, which includes supporting the government's:
        - Auto Insurance Cost and Rate Reduction Strategy;
        - Serious Fraud Unit, whose initial mandate would include addressing auto insurance fraud; and
        - Transformation of Ontario's auto insurance dispute resolution system to help injured drivers settle disputed claims faster.
- Strengthening Retirement Security
    - FSCO is contributing to the development of regulations to implement the amendments to the Pension Benefits Act introduced in 2010.
    - FSCO is providing data on the pension sector and technical expertise to the Ontario Retirement Pension Plan (ORPP) implementation secretariat.
    - FSCO is supporting and contributing to the development of the regulatory framework and regulations with respect to Pooled Registered Pension Plans and Target Benefit Plans.

FSCO will continue to work with the government and its stakeholders to ensure that its activities and services are aligned with the needs of Ontarians.

Strategic Direction

FSCO continues to be guided by its 2015-18 strategic plan and works to be an effective regulatory supervisor that protects the public interest in the financial services marketplace. The plan positions FSCO to remain efficient, effective, and adaptive to changes in the regulatory landscape.

In developing its 2015-18 strategic direction, FSCO considered the external and internal environments, alignment with government priorities, ways to continually improve operating effectiveness, and the potential impacts of its strategies on the public and the sectors it regulates.

FSCO will continue to be guided by the following three over-arching goals:

- Be risk-based, proactive, evidence-based, balanced, transparent, service-oriented, and collaborative in our work;
- Further a coordinated national approach to regulatory issues; and
- Be a recognized thought leader in regulatory policy.

FSCO identified these three goals to embed its regulatory framework principles in all activities, advance national coordination efforts, and leverage its knowledge role in the financial services marketplace. The local, national and international scope of the goals reflect the expanding and inter-connected environment in which FSCO operates.

To achieve the three goals, FSCO identified eighteen strategic outcomes that are comprehensive across internal and external perspectives: public and stakeholder, accountability and performance, internal process, and organizational capability.

The strategic direction will allow FSCO to continue to build upon its strengths, define where it wants to be in the future, and that it is doing the right things to get there.

FSCO measures its success in relation to its overarching mandate of providing regulatory services that protect the public interest and enhance public confidence in the regulated sectors. As part of both FSCO's 2015-18 Strategic Plan and the Program Review, Renewal and Transformation (PRRT) process, FSCO is examining its key performance measures. See the section on Performance Measures for details.

Major initiatives planned or underway are described in the Overview of Current and Future Activities and Projects and the Implementation Plan sections. Two projects in particular, if approved, will transform FSCO's service delivery: FSCO will be seeking approval to proceed with the Enterprise Development Program (EDP) and the Enterprise Resource Planning (ERP) System. EDP and ERP will be scalable and adaptable to any changes that may arise from the review of the mandates of FSCO, the FST, and DICO.

FSCO's 2015–18 Strategic Plan

VISION

- To be an effective regulatory supervisor that protects the public interest in the financial services marketplace

GOALS

- Be risk-based, proactive, evidence-based, balanced, transparent, service-oriented and collaborative in our work
- Further a coordinated national approach to regulatory issues
- Be a recognized thought leader in regulatory policy

	Public and Stakeholders	Accountability & Performance	Internal Process	Organizational Capability
STRATEGIC OUTCOMES	• Financial services industry compliance with laws & regulations • Well-developed corporate governance structures in regulated entities • Fair treatment of consumers by regulated entities • Security of pension plan members' benefits via application of the funding provisions of the legislation • Adequate disclosure of information to enable informed decisions by consumers • Awareness of FSCO's actions in the financial services marketplace • Regulatory services are valued by the public & stakeholders	• Meet or exceed national and international supervisory standards • Meet or exceed provincial agency standards • Meet or exceed internal performance standards	• Risk-based Approach is embedded in all activities • Efficient & transparent processes • Common & integrated processes enabled by integrated technology solutions • Enhanced collection, use & sharing of business intelligence • Enhanced collection, use & sharing of market intelligence	• Awareness of internal & external environment throughout the organization • Agile & adaptable organization • Influence development of provincial, national & international regulatory policy
OPERATIONAL OUTCOMES	• Regulated entities in the marketplace comply with the law • Proactive compliance, intervention & enforcement action • Improve on-going communication with the public & stakeholders • Improve the delivery of regulatory services • Seek, evaluate & respond to feedback from the public & stakeholders • Increase transparency & communication of core regulatory functions	• Establish meaningful internal performance standards • Meet or exceed established performance standards	• Design tools & use information that supports the principles of the risk-based approach • Develop & implement common, transparent processes • Implement the business model to achieve integration of processes enabled through IT solutions • Optimize research & market intelligence in support of regulatory decision-making • Develop a comprehensive information management framework	• Implement a strategic professional development program • Promote skill & knowledge transfer • Empower staff to make decisions • Develop a strategic succession management plan • Implement effective staff engagement strategies • Contribute innovative solutions to common national & international regulatory policy issues.

Environmental Scan

This Environmental Scan identifies key external and internal factors that have an impact on FSCO's current and future business environment and how they may affect FSCO's ability to conduct its business.

External Factors

1. The Economy

According to 2015 Ontario Economic Outlook and Fiscal Review and 2016 Ontario Budget, Ontario's economy continues to grow in an increasingly competitive global economic environment. Ontario has become a growth leader in Canada and private-sector economists expect that to continue over the next two years. Lower oil prices, a more competitive Canadian dollar and U.S. economic growth present opportunities for further growth in Ontario.

The Ministry of Finance is forecasting that growth in real gross domestic product (GDP) will be 2.2 per cent in 2016, 2.4 percent in 2017, 2.2 per cent in 2018 and 2.0 per cent in 2019.

The changing economic environment can affect FSCO's regulated sectors through consumer demand, company borrowing costs and investment returns. For example, low interest rates and increased longevity can lead to higher pension liabilities, and increase the funding requirements for plan sponsors. In this fluid environment, FSCO works to ensure protection for pension plan beneficiaries, and to specifically enforce the Pension Benefits Act and regulation.

2. Government Priorities

In the 2014 Ontario Budget the government committed to a balanced budget, reduced number of classified agencies, reduced auto insurance rates, introduction of the Ontario Retirement Pension Plan (ORPP), and amending the Insurance Act to require that long-term disability benefits are insured.

The 2015 and 2016 Ontario Budgets outlined additional actions the government is taking to protect auto insurance consumers and ensure affordable premiums, modernize financial services regulation, and strengthen workplace pension plans.

The Budgets also reiterated the government's commitment to balancing the budget through Program Review, Renewal and Transformation, managing compensation costs, maintaining tax fairness and a level playing field for business, and strengthening government transparency, financial management and fiscal accountability.

The government appointed David Marshall as an advisor to the Minister of Finance on auto insurance and pensions, starting February 1, 2016. Mr. Marshall will provide recommendations to the government on further ways to reduce auto insurance costs in Ontario. In addition, Mr. Marshall will lead the government's solvency funding review announced in the 2015 Ontario Economic Outlook and Fiscal Review with a view to assisting the Ministry of Finance in developing a balanced set of solvency funding reforms that would focus on plan sustainability, affordability and benefit security, and take into account the interests of pension stakeholders.

FSCO will continue to support the government's priorities in a proactive and relevant manner.

3. Demographics

As Ontario's population ages, demand for and interest in healthcare, long-term care, pensions, insurance products and other financial services will continue to increase. As the financial services market is highly inter-connected, the impact of the demographic shift supports the case for integrated financial services regulation to help ensure consumers are treated fairly and the need for increased regulatory resources with the related skills, knowledge and experiences. The changes may also influence the government's priorities and create a need to ensure an adequate pension income that will be paid over a longer timeframe.

Changing demographics have also contributed to the increasing importance of financial literacy. FSCO, as well as other government agencies, have responded to this growing need by introducing and promoting financial literacy initiatives to help individuals make informed financial and investment choices.

4. Regulatory Environment

The economic environment is continually changing, as is the financial services marketplace. Modern financial services and pension regulation calls for a holistic view of all the factors that affect the regulated entities rather than a silo-like approach. In recent years, Saskatchewan, Manitoba and New Brunswick have established new regulatory agencies. Consistent with the international trend, these governments established integrated regulators because financial services are more interconnected than ever before. Integrated financial regulation is increasingly important in a globally connected economy – such an economy brings with it the promise of greater benefits for Ontario's financial services sectors, but also the potential for greater risk.

Innovation and technology continues to drive change for businesses and consumers in the financial services marketplace and in the pension industry. For example, developments in usage-based auto insurance, mobile commerce, pension risk management products, and social media underscore the need for agility and risk-based approaches.

Internal Factors

1. Agencies Mandate Review

In the 2014 Ontario Budget, the government announced it would be undertaking focused mandate reviews of government agencies. In March 2015, the government announced an expert panel to review the mandates of FSCO, the FST, and DICO. The panel released a preliminary position paper in November 2015 for comment. The expert panel expects to deliver its recommendations to the government in 2016. FSCO welcomed the review and remains committed to working with the Ministry of Finance on any changes that may result to its mandate to ensure that its activities and services continue to align with the needs of Ontarians.

2. FSCO's Human Capital

An aging workforce, coupled with an earlier retirement age, is a significant challenge facing the Ontario Public Service (OPS). Due to recent announcements about compensation and retirement benefit changes that are scheduled for implementation in 2017, OPS retirement rates may increase over the next year.

The generational breakdown of the OPS workforce highlights the need for strategic succession planning, knowledge transfer and skill development. FSCO's human capital planning includes strategies to identify and develop successors for critical positions.

FSCO is largely comprised of bargaining agent staff. There is relatively equal representation of Ontario Public Service Employees Union (OPSEU) members and the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO) members.

FSCO will work with the Ministry of Finance on any organizational and FTE impacts that may result from the dispute resolution system transfer to the Ministry of the Attorney General's Licence Appeal Tribunal and any recommendations coming out of the government's review of FSCO's mandate.

3. Value-for-money Audits

On December 9, 2014, the 2014 Annual Report of the Office of the Auditor General of Ontario was tabled in the Legislative Assembly of Ontario. Section 3.03, Financial Services Commission of Ontario—Pension Plan and Financial Service Regulatory Oversight, reported on the findings of an OAGO Value for Money audit and set out nine recommendations.

The audit assessed whether FSCO had effective systems and procedures to ensure compliance with relevant legislations and its own policies established to protect the public interests and to enhance public confidence. The audit encouraged FSCO to make better use of its powers to monitor pension plans and conduct on-site examinations. It also encouraged FSCO to closely monitor the financial exposure risk of the Pension Benefits Guarantee Fund.

In respect of financial services, the audit assessed whether FSCO adequately protected members and investors of co-operative corporations, given its legislative authority under the Co-operative Corporations Act. FSCO's licensing system and procedures were assessed by the auditor to determine if they ensured that only qualified insurance agents are given or retain licences. The audit also recommended that FSCO take timely and proactive action to conduct investigations, complaints, and examinations across its regulated sectors.

FSCO has developed action plans and continues to address the recommendations.

4. International Monetary Fund Recommendations

In March 2014 the International Monetary Fund (IMF) issued its final report on Insurance Core Principles (ICP) – Detailed Assessment of Observance for the Canada Financial Sector. The IMF assessed FSCO as having a good high level of observance with the insurance core principles. It also noted that FSCO has robust accountability frameworks in place, FSCO's licensing processes are in line with international best practices, and FSCO has a well-developed framework to combat fraud. The report documented 26 recommendations to improve Observance of Insurance Core Principles in Canada. Of those 26, the following are specifically directed at FSCO:

- FSCO be equipped with adequate resources and financial capacity to develop proactive solutions that address the size and diversity of Ontario's Federally Regulated Insurers: "Constrained by limited resources, FSCO has adopted both a reactive and industry-wide targeted approach to supervising the Federally Regulated Insurers (FRIs) based in Ontario. It is essential that FSCO be equipped with adequate resources and financial capacity to deal with the size and diversity of the Ontario marketplace."
- Limit provincial government's ability to issue policy statements to FSCO.
- Strengthen financial autonomy of provincial supervisors.
- Bring legal provisions related to public disclosure of the reasons for a removal of the Superintendent of FSCO in line with international standards.

The IMF assessment also highlighted that generally, market conduct regimes, across all jurisdictions, need to be more harmonized, transparent and consistent for groups and multi-jurisdictional insurers.

FSCO is working with provincial and territorial regulators, through the Canadian Council of Insurance Regulators (CCIR) to address the IMF's concerns before the next Financial Sector Assessment Program (FSAP) review, which is expected in 2018.

Overview of Current and Future Activities and Projects

FSCO's 2015-18 Strategic Plan includes eighteen strategic outcomes for the three-year period. Each year FSCO identifies priorities from among its strategic outcomes to receive additional attention and build momentum towards achieving its goals and vision. In selecting priority areas, FSCO considers the external and internal environments. As the outcomes are interrelated, consideration is given to dependencies between outcomes and how best to focus efforts and resources to deliver FSCO's mandate and strategic goals.

In 2016-17, FSCO will continue to focus on the following eight priority areas:

- Financial services industry compliance with laws and regulations;
- Adequate disclosure of information to enable informed decisions by consumers;
- Awareness of FSCO's actions in the financial services marketplace;
- Meet or exceed internal performance standards;
- Common and integrated processes enabled by integrated technology solutions;
- Enhanced collection, use and sharing of market intelligence;
- Agile and adaptable organization; and
- Influence development of provincial, national and international regulatory policy.

The eight priority outcomes will support FSCO in achieving its goal of embedding the regulatory framework principles in all of its activities. The outcomes related to market intelligence and regulatory policy will also enable FSCO to realise its goals of continuing to promote national regulatory coordination with partners across Canada and using its expertise to influence the conversation about the financial services environment as a recognized thought leader.

This section describes FSCO's core regulatory activities and its projects and initiatives aligned with its priority outcomes.

Core Regulatory Activities

As an integrated regulator, FSCO undertakes regulatory activities governing the following sectors: insurance industry, pension plans, loan and trust companies, credit unions and caisses populaires, the mortgage brokering sector, health service providers, and co-operative corporations. FSCO uses a consistent and comprehensive risk-based approach to regulating these seven sectors. It gathers market intelligence from the sectors in order to make evidence-based decisions and focus regulatory efforts, thereby delivering regulatory services in an efficient and effective manner.

FSCO's approach to fulfilling its legislated regulatory responsibilities is outlined in greater detail in its Regulatory Framework which is posted on the FSCO website. In conducting its business, FSCO provides regulatory services to enhance public confidence in the sectors it regulates through a balanced approach to protecting consumer interests and enabling a healthy financial services marketplace.

Financial services sectors are subject to both market conduct and prudential regulation, although the specific type of regulation differs across the various sectors.

In the **insurance sector**, FSCO is primarily a market conduct regulator, supervising the treatment of consumers and the business conduct of insurance companies, agents, adjusters and health service providers. FSCO also approves automobile insurance rate filing applications by insurers. FSCO does not oversee the conduct of independent general insurance brokers in Ontario, which are regulated by the Registered Insurance Brokers of Ontario, a self-regulatory body for insurance brokers in Ontario. The prudential regulation of most Ontario licensed insurance companies is primarily performed by the Office of the Superintendent of Financial Institutions, the federal regulator for the insurance sector.

In the **health service providers sector**, FSCO is a market conduct regulator that has the authority to license and oversee the business and billing practices of health clinics and practitioners who invoice auto insurers.

In the **pensions sector**, FSCO has both market conduct and prudential or solvency oversight, supervising the treatment of pension plan beneficiaries in defined benefit and defined contribution pension plans, the security of pension plan benefits and the financial strength of pension plans.

In the **credit unions and caisses populaires sector**, FSCO is responsible for issuing licences, authorizing licensees to operate in Ontario, and in managing the market conduct of credit unions and caisses populaires, including enforcing compliance. Prudential regulation is performed by the Deposit Insurance Corporation of Ontario.

In the **mortgage brokering sector**, FSCO is the market conduct regulator. There is no solvency regulator for this sector, since solvency oversight does not apply to most financial services intermediaries, such as mortgage brokerages, brokers and agents.

Loan and trust companies and co-operative corporations are subject to market conduct regulation by FSCO.

FSCO also performs the following core regulatory activities in order to fulfil its mandate. These core activities are consistent across all the regulated sectors, complement each other as part of FSCO's comprehensive approach to regulation, and are delivered using FSCO's regulatory principles.

Regulatory Policy

FSCO advises the government on existing or potential risks and policy issues in its regulated sectors. Regulatory policy development results from extensive research, analysis and collaboration and consultations with stakeholders and the public. Effective policy development leads to informed allocation of resources and protection of public interests.

Regulatory Coordination

FSCO plays an important role in coordinating regulatory efforts at a national level. Canadian regulators work together to coordinate activities, share information where necessary, proactively identify emerging trends and risks, look for harmonized approaches, reach consensus around solutions for common problems, and provide solutions and guidance on regulatory matters applicable to multiple jurisdictions across the country.

Coordination minimizes unnecessary duplication, potential delays related to regulatory processes, and regulatory costs through joint projects and resource sharing. FSCO works closely with other regulators, as needed, in order to achieve its legislative mandate.

Licensing and Registration

By law, individuals and businesses require licences or registrations from FSCO in order to conduct certain activities within the regulated sectors. Licensing ensures that only qualified and suitable licensees conduct business. Similarly, pension plans must be registered with FSCO. Licensing and registration allow for supervision of the regulated sectors in order to protect financial services consumers and pension plan beneficiaries.

Filings and Applications

Once licensed or registered, regulated entities are required, by law, to submit information to FSCO on a regular basis. Certain transactions in the regulated sectors require FSCO's approval, and regulated entities must follow filing and application procedures to obtain approval. FSCO's ability to request information is an effective regulatory tool. The information FSCO gathers at both the entity and aggregate (systemic) levels is used to develop proactive supervisory strategies, including monitoring and compliance activities.

Monitoring and Compliance

Monitoring and compliance are important ongoing supervisory activities. FSCO assesses whether regulated entities comply with the law through various monitoring activities. In addition to addressing specific cases of non-compliance, FSCO focuses on monitoring the degree of compliance in the regulated sectors as a whole. FSCO takes a risk-based approach to regulation and uses monitoring to track the overall potential negative impact that non-compliance can have on regulatory outcomes.

Enforcement and Intervention

FSCO influences conduct in the regulated sectors through different and progressive strategies including, but not limited to: education, partnering with stakeholders, compliance reviews, targeted examinations, intervention, and ultimately enforcement. FSCO employs appropriate enforcement action for entities that fail to comply with the law.

Alignment with Internationally Recognized Core Principles of Supervision

The International Association of Insurance Supervisors and the International Organisation of Pension Supervisors have published core principles for the effective supervision of the insurance and pension sectors. These core principles prescribe the essential elements of a supervisory regime that provide an adequate level of protection for policyholders and pension plan beneficiaries, and promote a financially sound insurance and pension sector. FSCO works to align its regulatory activities with these internationally recognized core principles.

Special Purpose Funds and Dispute Resolution Services

FSCO's responsibilities also include:

- Administering the Motor Vehicle Accident Claims Fund which is a special purpose fund used to pay claims involving automobile accidents with uninsured motorists, and hit-and-run accidents where no insurance is available. The fund provides compensation to people injured in automobile accidents when no automobile insurance exists to respond to the claim and enforces repayment to the province, of monies paid out from the fund, from those individuals found at-fault by the courts.
- Administering the Pension Benefits Guarantee Fund which provides protection to Ontario members and beneficiaries of certain privately sponsored single-employer defined benefit pension plans in the event of plan sponsor insolvency.

- Providing Dispute Resolution Services which include mediations, arbitrations and appeals of disputes between claimants and insurance companies with respect to statutory accident benefits. Following a review of the dispute resolution system, the Ontario government passed legislation that will move dispute resolution services from FSCO to the Ministry of the Attorney General's (MAG) Licence Appeal Tribunal, which will begin accepting accident benefit dispute applications on April 1, 2016. Following transition, FSCO will continue to conduct mediations, arbitrations and appeals on files already open at FSCO.

Priority Projects and Initiatives

The following provides a snapshot of priority projects and initiatives aligned to FSCO's Strategic Outcomes. Details of specific projects are included in the Implementation Plan section. As part of FSCO's performance measurement framework, FSCO will measure how well it delivers on its eight priority strategic outcomes for fiscal year 2016-17.

Ensure financial services industry compliance with laws and regulations

In the 2015 Ontario Budget, the government committed to strengthening the financial services sector, protecting investors and consumers, and bolstering the stability and efficiency of financial markets. This is achieved through periodic reviews of legislation and regulations, and proactive regulatory improvements that help ensure industry compliance in an evolving marketplace. FSCO will continue to work with the Ministry of Finance to support the implementation of regulatory initiatives and ensure financial services industry compliance.

In addition, FSCO will advise and support the Ministry of Finance, as required, on the implementation of pension reform initiatives including, legislation and regulations to allow Pooled Registered Pension Plans, any reforms resulting from the government's solvency funding review, and the preparation of new regulations required to implement amendments to the Pension Benefits Act made since 2010.

FSCO will be a key driver in the implementation of the auto insurance reforms announced in the 2015 Ontario Budget aimed at reducing costs and enhancing consumer protection in the auto insurance system. Over the next year, FSCO will work with industry and other system stakeholders to facilitate effective and timely implementation of reform measures.

FSCO will continue to support to the Ministry of Finance and the Ministry of the Attorney General in the work to transfer the dispute resolution system to the Licence Appeal Tribunal, as set out in the Fighting Fraud and Reducing Automobile Insurance Rates Act, 2014.

FSCO will ensure that it delivers the necessary regulatory activities in support of these initiatives, so that regulated entities understand their obligations under the law and are able to comply with them.

Provide adequate disclosure of information to enable informed decisions by consumers and pension plan members

In the financial services industries, it is important that regulated entities provide consumers and pension plan beneficiaries with access to accurate, relevant, and timely information, so that they are able to make informed decisions about their financial services. FSCO works to support this goal by providing guidance on how regulated entities should provide services to consumers and pension plan beneficiaries; and by providing consumers and pension plan beneficiaries with information on the financial services marketplace.

In 2012, FSCO procured the consulting services of scientists and medical experts to develop an evidence-based protocol for minor injuries. This protocol was among the initiatives referenced in the 2015 Ontario Budget to ensure that insurance coverages reflect the most relevant scientific and medical knowledge on identifying and treating injuries from auto accidents. The protocol could be used by health care providers and insurers when treating minor injuries resulting from automobile accidents, and to ensure that there is an extensive continuum of care based on current scientific and medical evidence. In 2015, FSCO received the final report and posted it for public consultation. Stakeholder feedback on the report will inform FSCO's Superintendent's Proposal to the Minister of Finance for a revised guideline and amendments to relevant Statutory Accident Benefits Schedule (SABS) provisions. The new Common Traffic Injury (CTI) Guideline is intended to replace the existing interim guideline. An educational and outreach plan will be developed to encourage the understanding and adoption of the new CTI care pathways by the medical/rehabilitation community and by insurers.

As financial services consumers and pension plan beneficiaries increasingly deal with complex products and services, there is also a need to enhance awareness about the financial marketplace. FSCO will continue to distribute consumer protection and fraud prevention information, and will also provide enhanced information to pension plan beneficiaries about their plans and their plan performance.

Raise awareness of FSCO's actions in the financial services marketplace

FSCO works to inform stakeholders and consumers about its actions in the regulated sectors and marketplace. FSCO's communication of its regulatory activities and functions supports compliance and consumer protection and education; and it benefits financial services consumers, pension plan beneficiaries, and regulated entities.

FSCO will also continue to issue bulletins and news releases and engage in social media outreach to keep stakeholders and consumers up-to-date on its actions, and meet with stakeholders to update them on regulatory developments. The level of awareness of these activities will promote compliance and increased consumer protection in the regulated sectors.

FSCO will support the government's strategic approach to the sharing economy to maximize this emerging sector's potential and innovation in the regulated sectors.

Meet or exceed internal performance standards

FSCO measures success in relation to meeting its overarching mandate of providing regulatory services that protect the public interest and enhance public confidence in the regulated sectors. FSCO's key performance measures include industry compliance levels, consumer and licensee satisfaction, consumer complaint resolutions, and adherence to all FSCO and Ontario Public Service standards. As part of both FSCO's 2015-18 Strategic Plan and the Program Review, Renewal and Transformation (PRRT), FSCO is examining its key performance measures as it continues to establish a performance measurement framework.

Create common and integrated processes enabled by integrated technology solutions

To efficiently deliver regulatory activities, FSCO is working on introducing common and integrated processes across the organization enabled by client relationship technology. In 2014, FSCO's Enterprise Development Project prototyped an automated business solution, including business-wide common components for the service provider regulatory regime. FSCO has conducted an Enterprise Business Architecture Project, from which a capital investment strategy will be advanced for approval to build the technology solutions and establish these processes. The implementation of these integrated processes and platforms will support more complete data gathering, enhanced information analysis, better internal controls, and improved risk assessments to help bolster consumer protection.

FSCO will also be seeking approval to develop an Enterprise Resource Planning system which would transform FSCO's manual back office operation into a system with automated processes, additional controls, and with more timely tracking and reporting of all operating costs and collected fees. In addition, the cost allocation to each of the regulated sectors would be more efficient. This system would ultimately interface with both FSCO's case management system (EDP) and OPS financial and workforce systems. The elimination of current manual processes are expected to result in overall cost savings and efficiencies. EDP and ERP will be scalable and adaptable to any changes that may arise from the review of FSCO's mandate.

In a separate initiative, FSCO is working with regulators across Canada and the Mortgage Broker Regulators' Council of Canada to introduce a common database to share information on disciplinary decisions and regulatory actions taken against licensed mortgage brokers across Canada. The database will enhance information sharing and coordination among regulators, and allow FSCO to use the information in order to assess cross-jurisdictional activity that poses risks in the Ontario marketplace.

Enhance the collection, use, and sharing of market intelligence

To be a responsive supervisory regulator, it is important for FSCO to have the information it needs to understand changes in how the regulated sectors function and how consumers and pension plan beneficiaries are treated. FSCO collects market intelligence, and uses this information to identify areas that need greater regulatory focus.

FSCO is working to put in place data-sharing agreements with industry organizations and other regulators, and to leverage the appropriate forums for information collection and sharing. FSCO will use the data to support its regulatory decision making, the identification and monitoring of trends and risks in the marketplace, and the provision of specific recommendations to government on regulatory approaches.

Be an agile and adaptable organization

As an integrated regulator, it is important for FSCO to have the organizational capacity to be flexible and forward-looking in delivering financial services regulation in a changing environment. FSCO will focus on building internal capacity by implementing a professional staff development program, promoting skill and knowledge transfer, developing succession plans, and delivering effective staff engagement strategies. This focus on organizational and staff development, in concert with the EDP and ERP projects, will position FSCO to better provide expert regulatory services that keep pace with an evolving marketplace.

Influence the development of provincial, national, and international regulatory policy

FSCO is part of a broader regulatory environment that includes other federal and provincial regulators, as well as industry and consumer stakeholders from Ontario and around the world. FSCO prioritizes cooperation among regulators, and will continue to play a leadership role in regulatory coordination. FSCO will work with other regulators to promote national approaches and regulatory harmonization where appropriate, share information across jurisdictions, and provide solutions and guidance on regulatory matters across Canada.

As part of this effort, FSCO is a member and host of the following national organizations that promote regulatory coordination and harmonization among provincial authorities responsible for regulating pensions, insurance, and mortgage brokering:

- Canadian Association of Pension Supervisory Authorities (CAPSA);
- Canadian Council of Insurance Regulators (CCIR);
- General Insurance Statistical Agency (GISA); and the
- Mortgage Broker Regulators' Council of Canada (MBRCC).

FSCO is also a member of the Canadian Automobile Insurance Rate Regulators Association (CARR) and the Canadian Insurance Services Regulatory Organizations (CISRO).

These organizations facilitate cooperation among regulators, enhance information sharing, and conduct joint regulatory initiatives. Their work helps ensure consumers benefit from similar levels of protection across Canada, and reduces the regulatory burden for industry participants that are active across provinces.

FSCO will work with other pension regulators through CAPSA to continue efforts to have the CAPSA multilateral agreement adopted and implemented by jurisdictions other than Quebec and Ontario, which have already adopted and implemented the agreement. FSCO will also work with other regulators through CAPSA to review pension plan governance guidelines, alternative plan designs and longevity risk transfer products.

Through CCIR, FSCO will work with Canada's other insurance regulators to implement the international standards for market conduct supervision that were developed by the International Association of Insurance Supervisors.

Through CCIR's committee on E-Commerce, FSCO will address issues arising from the growing use of technology, for example, electronic "pink" cards, telematics, claims handling, underwriting and data collection.

FSCO will also work with CCIR to examine the travel insurance industry, assess regulatory arbitrage in segregated funds, and review property insurance policy wording related to natural disaster coverage for consumers.

In the area of auto insurance, FSCO and GISA will continue to improve the harmonized collection and reporting of accurate, timely and relevant data and to support regulators in monitoring and responding to the evolving marketplace.

Through the MBRCC, FSCO will continue to collaborate with other mortgage broker regulators to develop national licensing course standards to ensure that competency requirements are implemented consistently across the provinces. FSCO will also support the MBRCC in the development of a disciplinary database.

These and other initiatives allow FSCO and other regulators to keep apprised of regulatory and industry developments, and to develop and influence harmonization efforts that improve regulation across the country.

Implementation Plan

This implementation plan explains how FSCO plans to carry out its strategies and major initiatives over the next three years. FSCO aims to provide its regulatory services seamlessly while adapting to any changes to its mandate or the regulatory environment.

Table 1 outlines FSCO's operational projects and their alignment to FSCO's Strategic Outcomes.

Table 1: Operational Projects Aligned to Strategic Outcomes

Project	Description	2016-17	2017-18	2018-19
Strategic Outcome: Financial services industry compliance with laws and regulations				
Long-term Disability Insurance Requirement Project	• The 2014 Ontario Budget Bill added section 115.1 to the Insurance Act. It requires long-term disability benefits in Ontario ("LTDB", as defined) to be paid under an insurance contract that is undertaken by a licensed insurer. • The project is to ensure that any work needed to implement this requirement is undertaken on time.			
Market Regulation Branch Operational and Supervisory Framework	• Phase 1 – develop and implement the FSCO regulatory framework (completed). • Phase 2 – modernize the Market Regulation Branch's market conduct policies and procedures to provide a more consolidated and consistent approach to compliance. This includes knowledge and information management, within FSCO's Licensing and Market Conduct Division.			
Auto insurance cost & rate reduction strategy-2015 Auto Insurance Reform	• The 2015 Ontario Budget committed to further reduce auto insurance costs, bring these costs more in line with other provinces, and provide Ontario consumers with more choice in purchasing auto insurance coverages. • By undertaking the project, FSCO is leading the implementation of the 2015 auto reforms announced by the Government.			
Transition of dispute resolution services to the Licence Appeal Tribunal	• Bill 15 moves dispute resolution services from FSCO to the Ministry of the Attorney General's (MAG) Licensing Appeal Tribunal. • FSCO is providing support to the Ministry of Finance and MAG who have responsibility for this initiative. • Following transition, FSCO will continue to conduct mediations, arbitrations and appeals on files already open at FSCO.			

Project	Description	2016-17	2017-18	2018-19
Strategic Outcome: Adequate disclosure of information to enable informed decisions by consumers				
Minor Injury Treatment Protocol Project implementation	• The project is to develop and implement a new care guideline for a list of minor injuries for health service providers who provide care to those involved in automotive accident.			
Strategic Outcome: Awareness of FSCO's actions in the financial services marketplace				

Work with stakeholders to reduce auto insurance fraud: Auto Insurance Anti-Fraud Task Force	• FSCO will continue to implement the balance of the Anti-Fraud Task Force Report recommendations. Particular attention will be attributed to:
	  • continuing to license service providers;
	  • developing four information-sharing agreements with the Canada Revenue Agency (CRA), Workplace Safety and Insurance Board (WSIB), Ontario Disability Support Program (ODSP) and Ontario Health Insurance Plan (OHIP);
	  • increasing collaboration with related regulators (for example, with the Law Society of Upper Canada on matters of common interest, e.g., lawyers operating in the auto insurance sector); and
	  • identifying cost drivers related to fraud in the auto system.			

Strategic Outcome: Meet or exceed provincial agency standards				
Accessibility for Ontarians with Disability Act (AODA) & OPS Service Directive implementation	• Develop policies and processes to operationalize the Accessibility for Ontarians with Disabilities Act (AODA) requirements at FSCO. Develop processes that ensure continued compliance with Customer Service standards. Implement changes. • Ensure compliance with the OPS Service Directive by developing and publishing service standards for the services provided by FSCO. Develop processes to monitor and report results against the published standards.			

Project	Description	2016-17	2017-18	2018-19
Implement Value-for-Money Audit recommendations: Licensing and Market Conduct Division	• FSCO's Licensing and Market Conduct Division (LMCD) will be the FSCO lead in addressing recommendations from the 2014 Auditor General's Value-for-Money Audit on Pension Plan and Financial Service Regulatory Oversight. • Implementing operational changes and recommending legislative changes to protect co-operative members and investors. • Adapting licensing systems and procedures to ensure that only qualified agents are given or retain licences. • Implementing proactive compliance measures that ensure that there is a robust monitoring and compliance framework that protects the public interest and enhances confidence in the regulated sectors. FSCO agrees that proactive compliance is an important part of a robust monitoring and compliance framework that protects the public interest and enhances confidence in the regulated sectors and ensures that its regulatory process are commensurate with the size and maturity of the industries.			

Implement Value-for-Money Audit Recommendations: Pension Division	• FSCO will implement the recommendations that were provided in the 2014 Auditor General's Value-for-Money Audit on Pension Plan and Financial Service Regulatory Oversight, by doing the following:
	  • Analyzing and identifying the factors that affect the funding status of defined benefit pension plans.
	  • Assessing the PBGF's financial risk exposure.
	  • Working with the Ministry of Finance to ensure that the Superintendent has sufficient powers and authority to effectively monitor and regulate the administration and solvency of pension plans.
	  • Incorporating the plan examination process into the risk-based regulation.
	  • Identifying any additional information that pension plan members should receive about their pensions.			

Project	Description	2016-17	2017-18	2018-19
Strategic Outcome: Common & integrated processes enabled by integrated technology solutions				
Enterprise Business Architecture Project (EBAP)	• Defining the target architecture and developing an IT road map; • Defining the scope, priority and timeline of potential FSCO initiatives; • Enhancing FSCO's IT organization and capacity; • Reviewing FSCO's IT processes and procedures; and • Publishing an IT service catalogue and the associated service level agreement (SLA).			
Enterprise Development Project (EDP)	• Integrate several aging computer platforms and databases into one comprehensive enterprise licensing and stakeholder relationship system. The focus of this project is to identify common components and standardize business processes.			
Enterprise Resource Planning Project (ERP)	• Implement an Enterprise Resource Planning system to automate most routine financial processes and to provide FSCO with the capability to perform real-time financial analysis.			
Replacement of ARCTICS	• This project is to document current business processes for the development and implementation of a new system to replace the ARCTICS legacy system for handling rate filings, underwriting rule filings, forms filings, and endorsement filings for auto insurance.			
Information Management Project Phase II	• The project is to improve the flow, quality and accessibility of information throughout FSCO. It is intended to address weaknesses, educate staff and modernize the management and governance of our information assets. In the long-term, this program will move the organization to an Enterprise Information Management system.			
Strategic Outcome: Risk-based approach embedded in all activities				
Risk-Based Regulation: Pension Division	• The purpose of the project is to develop and implement a more comprehensive approach to risk-based regulation of pension plans, in order to optimize regulatory oversight with the current pension division resources.			

Project	Description	2016-17	2017-18	2018-19
Strategic Outcome: Agile and adaptable organization				
Strategic Professional Development Program	• A Strategic Professional Development Program was identified as an operational outcome in FSCO's 2015–18 Strategic Plan. It is closely related to FSCO's Learning Curriculum. In the next year, FSCO will continue to implement learning and development initiatives.			
Strategic Outcome: Influence development of provincial, national & international regulatory policy				
CAPSA Multi-Lateral Agreement Implementation	• Manage and coordinate changes to existing multilateral agreement to allow other jurisdictions to join the agreement.			
CAPSA Pooled Registered Pension Plans Framework	• Manage and coordinate CAPSA's efforts related to the implementation of the framework for Pooled Registered Pension Plans (PRPPs).			
CAPSA Pension Plan Governance Review	• Undertake a review and determine if revisions need to be made to CAPSA's Pension Plan Governance Guidelines and Self-Assessment Questionnaire.			
CAPSA Longevity Risk Initiative	• Examine and recommend regulatory coordination on longevity risk transfer products.			
CCIR[1] Market Conduct Co-operative Supervisory Framework Initiative	• Develop a supervisory framework that is based on shared responsibility, where members of CCIR will work together in a manner similar to a supervisory college.			
CCIR Property Insurance Review Initiative	• Review property insurance policy wording and disclosure issues relating to natural disaster coverage.			
CCIR Segregated Funds Review Initiative	• Review the regulatory landscape for segregated funds and assess potential regulatory arbitrage.			
CCIR Travel Insurance Review Initiative	• Review the travel insurance industry. This includes the activities of call center support providers, policy wording and pre-existing condition exclusions, and the adequacy of information that is being provided to consumers for both in-person and online sales.			

[1] **The Canadian Council of Insurance Regulators (CCIR)** is an inter-jurisdictional association of insurance regulators. CCIR's mandate is to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest.

Project	Description	2016-17	2017-18	2018-19
GISA[2] Data Management Initiative	• Develop a proactive approach for reviewing data requirements GISA. • Expand access to data for both GISA and regulators, and increase staff expertise with query and reporting tools. • Review the current and future expected use and impact of new variables on data collection and reporting. • Establish mechanisms for responding to changing requirements for data collection by regulators.			
GISA Service Provider Management Initiative	• Establish a framework for authorization and oversight of third parties that use GISA's data. • Enhance control over Statistical Service Provider operations related to GISA, including data, systems and processes.			
MBRCC[3] Licensing Course Design and Delivery Standards	• Create national standards that govern licensing course design and delivery standards for the mortgage brokering industry.			
MBRCC disciplinary information database for licensed mortgage brokers	• Create an online, searchable database of disciplinary decisions and regulatory action taken against licensed mortgage brokers in Canada.			

[2] **The General Insurance Statistical Agency (GISA)** was appointed in April 2006 to carry out the activities of a statistical agent on behalf of nine participating insurance regulatory authorities across Canada. As a federally incorporated, not-for-profit corporation, GISA provides governance, accountability and oversight of the mandated statistical information for the participating jurisdictions.

[3] FSCO is a member of the **Mortgage Broker Regulators' Council of Canada (MBRCC)** – an inter-jurisdictional association of mortgage broker regulators in Canada. MBRCC's mandate is to improve and promote the harmonization of mortgage broker regulatory practices across Canada to serve the public interest.

Performance Measures

FSCO's performance measurement framework articulates the agency's goals into actionable outcomes that can be measured and refined over time.

FSCO measures success in relation to its overarching mandate of providing regulatory services that protect the public interest and enhance public confidence in the regulated sectors. Key indicators of success can be found in FSCO's evaluation of targeted industry compliance, consumer and licensees satisfaction, communications to consumers and licensees, consumer complaints resolution, and adherence to all FSCO and OPS service standards.

As part of both FSCO's 2015-18 Strategic Plan and the Program Review, Renewal and Transformation (PRRT) process, FSCO is examining its key performance measures.

FSCO is continuing to establish a Performance Measurement Framework to ensure that it:

- Creates performance measures which align to its new strategic plan;
- Provides greater transparency, accountability and value-for-money;
- Measures what it does and focuses on results that matter;
- Defines success and delivers on its goals; and
- Incorporates Ontario Public Service performance measurement guidelines that focus on "Efficiency", "Effectiveness" and "Customer Satisfaction."

FSCO performance measures and targets are monitored, reported and tracked on an annual basis.

FSCO's current performance measures are provided in Table 2. The performance measures are available on FSCO's website.

Table 2: FSCO's Performance Measures

Measure	Definition	2016-19 Target
Targeted Industry Compliance	**An average measure of compliance with legislation targeting in-year priorities that will evolve year-over-year per FSCO's enterprise risk-based approach.**	
	• Pension Sector: Compliance with prescribed timelines for Annual Information Returns (AIRs)	**95%**
	• Targeted industry compliance for Life Insurance Agents, Brokers, Mortgage Brokers and Agents, Health Service Providers, Credit Unions, Co-Operatives, and Loans and Trust companies • Using the risk based approach, the nature of compliance activities will vary each year (Audits are not conducted in areas with high compliance rate)	**95%**
	• Auto Insurance Sector: % compliance with approved automobile insurance rates using an established rate verification process.	**95%**
Service Standard Performance	**% of complete and compliant DB Pension Applications reviewed and approved in accordance with timeliness standards.**	
	• Surplus 150 days	**100%**
	• Wind up 120 days	**100%**
	• Transfer of assets 120 days	**100%**

Measure	Definition	2016-19 Target
	• Refund of employer overpayment 90 days	100%
	• Refund of member contributions 60 days	100%
	% of complete and compliant DC Pension Applications reviewed and approved in accordance with timeliness standards.	
	• Surplus 120 days	100%
	• Wind up 60 days	100%
	• Transfer of assets 60 days	100%
	• Refund of employer overpayment 60 days	100%
	• Refund of member contributions 30 days	100%
	Application for Private Passenger Auto Insurance Rate and Risk Classification Filings	
	• Simplified Filings	90%
	• Standard Filings	90%
	• Comprehensive Filings	90%
	• Complex Filings	90%
	Applications for Third Party Liability Claims	
	• Accurately completed Form 1 (payment under section 7) applications will be reviewed and processed within 20 days	85%
	Licensing & Registration	
	• Electronic applications for new and renewal Insurance Agent licences that are complete and meet all requirements will be reviewed and approved within 5 business days.	100%
	• Insurance Companies-Approval of an Independent Variable Insurance Contract (IVIC) submission within 30 days of receipt	100%
	Sectoral Complaints	
	• Complaints will be acknowledged within 5 business days	100%
	• Complaints regarding one of the sectors regulated to be concluded in 150 days	90%
	• Complaints regarding one of the sectors regulated to be concluded in 365 days	98%
	Quality Service Complaints	
	• Complaints received in writing or through FSCO's website will be acknowledged within 5 business days	100%
	• Complaints received in person or by telephone will be acknowledged within 2 business days	100%
	• Complaints will be concluded within 15 business days	100%
	Common Service Standards	
	• All calls will be answered by the third ring during core business hours or directed to voicemail.	100%

Measure	Definition	2016-19 Target
	• All calls will be returned by the next business day	100%
	• Correspondence will be answered within 15 working days of receipt	100%
	• If a conclusive response is not possible within the standard time, an interim acknowledgement will be provided within 5 business days of receipt	100%
	Examinations	
	• Final examinations reports will be issued within 30 working days of the completion of a routine examinations	95%
	Website Response	
	• All inquiries directed to the Web Manager e-mail account will be concluded and/or responded to within 5 business days.	100%
	Accessible Formats	
	• FSCO will respond within 5 business days to a requestor of web content in accessible format. Following discussions with the requestor, FSCO will provide agreed-upon web content (excluding online applications), in an accessible format within 5 business days.	100%
	• FSCO will respond within 5 days to a requestor of print publication in an accessible format. Following discussions with the requestor, FSCO will provide agreed-upon publication material in an accessible format within 5 business days.	100%

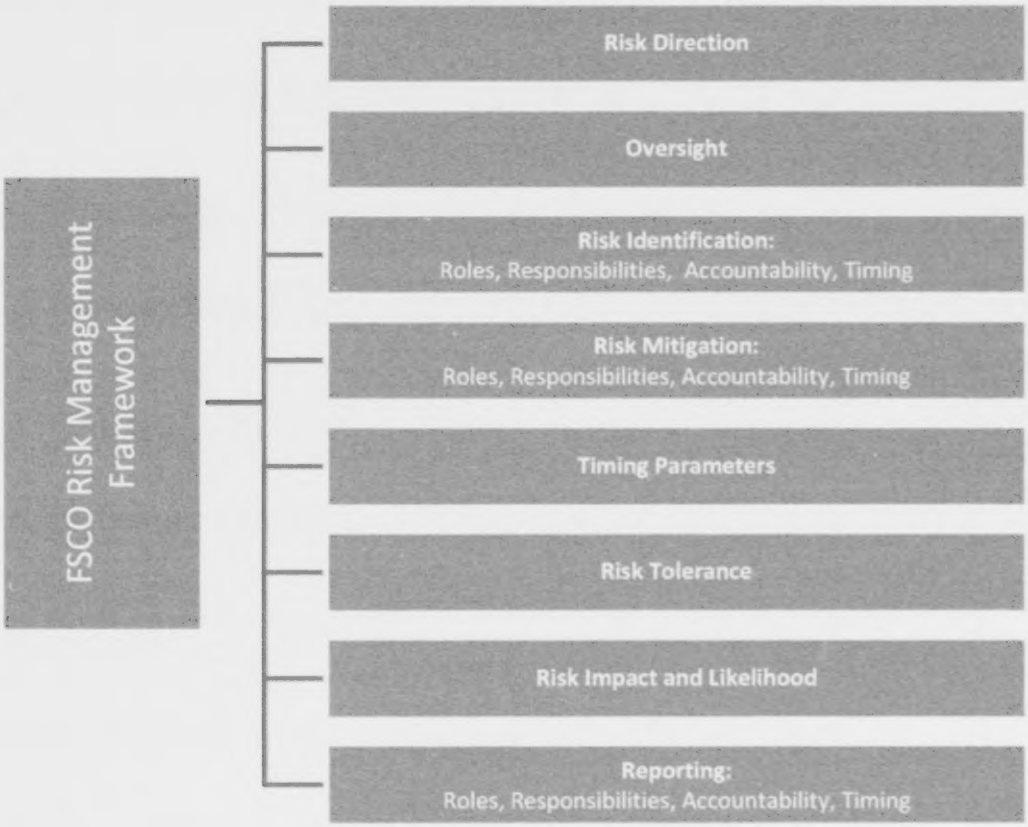
Risk Identification, Assessment and Mitigation Strategies

FSCO instituted a Risk Management Framework and through that framework conducts semi-annual reviews and assessments of its risks. FSCO's Risk Management Plan evaluates risk at a corporate level through its 10 corporate risks that are aligned to FSCO's 2015-18 Strategic Plan.

Risk Management Framework

FSCO's risk management practices are governed by its Risk Management Framework, summarized in Figure 1. The purpose of the framework is to create structure to ensure risk is managed in a timely manner and at the appropriate level.

Figure 1



Residual Risk Assessment

FSCO's 10 corporate risks correspond with the Ontario Public Service's six risk categories, as required by the Agencies and Appointments Directive (AAD). FSCO conducts reviews of its risks semi-annually and has a full complement of mitigating controls and actions plans to ensure FSCO achieves its strategic objectives. FSCO conducts a residual risk assessment in accordance with its Risk Management Framework. (Residual

risk is the risk that remains after all mitigating controls have been considered). Based on current risk tolerances, FSCO has no expected high residual risks through to 2016.

Table 3: 2015–16 Residual Risk Assessment

#	Corporate Risk	AAD Risk Category	2015-16 Residual Risk	Corporate Risk Mitigation Strategy
1	Ineffective financial management (including procurement)	Accountability/ Governance/ Operational	Medium	Continue to modify FSCO's financial management practices to keep pace with financial management best practices.
2	Ineffective corporate governance and oversight of internal operations	Accountability/ Governance/ Operational	Medium	Continue to document and monitor internal processes, respond to audit and government recommendations, and improve oversight of operations using international regulatory best practices.
3	Unable to make use of the existing information technology tools in a cost effective manner	Information Technology & Infrastructure	Low	Continue to develop an enterprise technology solution to replace existing legacy systems.
4	Lack of skills and capacity, and ineffective use of human resources to carry out FSCO's mandate	Workforce	Low	Continue to identify, develop and recruit key skills, knowledge and capacity requirements for critical positions.
5	Ineffective stakeholder and public communication engagement	Strategic	Low	Continue to seek, evaluate and respond to feedback from the public and stakeholders. FSCO will continue to increase its transparency and communication of core regulatory functions.
6	Insufficient business intelligence & failure to be proactive with marketplace policy	Strategic	Medium	Continue to establish mechanisms to interact with stakeholders, other regulators, and the market to gather information and implement processes to integrate information into FSCO's regulatory decision making.
7	Inadequate MVACF funding	Accountability/ Governance	Low	Continue to conduct rigorous reviews to ensure only legitimate claims are paid. Continue to conduct routine monitoring of the fund and alert the government of funding issues.
8	Inadequate PBGF funding	Accountability/ Governance	Medium	Continue to conduct rigorous reviews to ensure only legitimate claims are paid. Continue to conduct routine monitoring of the fund and prepare projections of funding adequacy.
9	Ineffective strategic and operational planning	Accountability/ Governance	Low	Continue to implement processes to ensure alignment with FSCO's mandate and strategic direction.
10	Ineffective protection of FSCO Resources	Other	Low	Continue to assess and monitor business operations to identify potential threats to safety, security and business continuity.

Resources Required to Achieve Outcomes

This section summarizes the resources FSCO has to carry out its mandate.

Financial Outlook

FSCO reports to the government under Section 15 of the Financial Administration Act (FAA), which requires that at the end of each fiscal year FSCO's expenses equal the revenues that have been collected.

An annual spending authority, operating budget appropriation and a capital asset appropriation are requested by FSCO through the government's Program Review, Renewal and Transformation (PRRT) exercise.

Spending Authority Outlook

Table 4 provides FSCO's spending authority outlook by major expense type, as well as the number of full-time staff, which are referred to as Full-Time Equivalents (FTEs). The outlook figures starting in 2016-17 and onwards represent spending authority amounts requested by FSCO through the provincial budget planning cycle and are, therefore, tentative until approved by the Legislature.

FSCO's total for FTEs does not include legal services staff, as they are employees of the Ministry of the Attorney General. These staff play a significant role in helping FSCO discharge its regulatory responsibilities, particularly in the areas of litigation and enforcement. FSCO's 2015–16 spending authority for legal staff costs is $5,389,500. The 2016-17 spending authority request for legal staff is $5,732,255.

Table 4: FSCO's 2016–19 FTE Cap & Spending Authority Outlook by Major Expenditure Type ($000)

Expenditure Type	Average % Change Year-over-Year for 2016-19	2016-17 ($000)	2017-18 ($000)	2018-19 ($000)	2016-17 over 2015-16	2017-18 over 2016-17	2018-19 over 2017-18
FTEs[1]		484.33	471.33	471.33			
Salaries & Wages	-16.55%	42,292.50	40,292.50	35,292.50	0.00%	-4.73%	-12.41%
Benefits	-28.71%	11,250.00	10,620.20	8,020.20	14.56%	-5.60%	-24.48%
Total Salaries & Benefits	-19.11%	**53,542.50**	**50,912.70**	**43,312.70**	**2.74%**	**-4.91%**	**-14.93%**
Transportation & Communication	-9.43%	1014.19	932.69	918.58	11.12%	-8.04%	-1.51%
Services	-50.38%	44,935.94	25,179.86	22,294.98	-18.80%	-43.96%	-11.46%
Supplies and Equipment	-17.71%	577.81	570.56	475.475	2.12%	-1.25%	-16.67%
Total ODOE[2]	**-49.09%**	**46,527.94**	**26,683.11**	**23,689.03**	**-18.11%**	**-42.65%**	**-11.22%**
Total DOE[3]	**-33.05%**	**100,070.44**	**77,595.81**	**67,001.73**	**-8.13%**	**-22.46%**	**-13.65%**

[1] FTEs = the number of full-time equivalent staff that are employed by FSCO.
[2] Total ODOE = Total other direct operating expenditures.
[3] Total DOE = Total direct operating expenditures.

Table 5 sets out FSCO's spending authority outlook for 2016–19.

Table 5: FSCO's 2016-19 Spending Authority Allocation Outlook ($000)

Transaction Type	Spending Authority ($000)			Year-Over-Year % Increase / (Decrease)		
	Requested 2016-17	Requested 2017-18	Requested 2018-19	2016-17 over 2015-16	2017-18 over 2016-17	2018-19 over 2017-18
Expenses	100,070.44	77,595.81	67,001.73	-8.13%	-22.46%	-13.65%
Recoveries	97,581.84	75,107.21	64,513.13	-8.32%	-23.03%	-14.11%
Net Operating (Expenses)/Revenues[1]	**(2,488.60)**	**(2,488.60)**	**(2,488.60)**	**0.00%**	**0.00%**	**0.00%**

[1] FSCO has an annualized budget appropriation line of $2.4886M providing for non-recoverable expenditure items (regulation of the Co-operative Sector and an annual requirement for year-end Accounts Receivable)

FSCO's Net Operating Expenses

FSCO recovers the majority of its expenses through a combination of fees, assessments of the regulated sectors and through internal recoveries. However, a voted operating appropriation is required to cover expenses that are not recovered from the regulated sectors and to offset year-end accounts receivable balances to ensure compliance with Section 15 of the FAA. Table 6 provides details on FSCO's budget appropriation outlook for the next three years.

Table 6: FSCO's 2016–19 Budget Appropriation Outlook ($000)

	2016-17 ($000)	2017-18 ($000)	2018-19 ($000)
Co-operatives Sector Support	500.00	500.00	500.00
Offset for Uncollected Accounts Receivable, Section 15	1,988.60	1,988.60	1,988.60
Total:	**2,488.60**	**2,488.60**	**2,488.60**

Co-operative Sector Support

Since 1998 FSCO has been provided with a budget appropriation of $500,000 to cover the cost of regulating the cooperatives sector. Even though this Sector generates some revenue through fees, the government has recognized that the Co-operative Sector is incapable of bearing the full burden of the cost of regulation and has subsidized this sector through a budget appropriation.

Accounts Receivable Shortfall

FSCO receives an annual interim spending authority under Section 15 of the Financial Administration Act, FAA to cover operating expenditures that are subsequently recovered from the regulated sectors through fees and assessments. One of the mandatory requirements of this interim authority is that all of FSCO's operating costs to regulate the sectors must be recovered within the same fiscal year.

Over the years, FSCO has established numerous control processes to ensure that regulated sector companies settle their invoices before the books are closed for the year. However, there is a time lag between the issuance of FSCO's final assessment notices and the receipt of revenues to coincide with the close of the books at fiscal year-end. The appropriation of $1,988,600 is required each fiscal year to cover the risk of not collecting all accounts receivables before the books are closed for the year. The budget allocation for accounts receivable is expected to be fully recovered in the following fiscal year.

Human Capital Plan

During this period of organizational uncertainty regarding the review of FSCO's mandate, FSCO continues to prioritize investment in its staff to grow organizational capacity and agility to achieve its goals and respond to changes in the internal and external environment.

Paralleling trends in modern regulation that call for a holistic view of regulating in the inter-connected financial services environment, FSCO's human capital planning seeks to build a modern organization that is innovative, integrated and inclusive. Those same themes are reflected in the OPS HR Plan for 2015-2020, which identifies a vision of fostering a high-performing public service that attracts and retains the best employees. FSCO supports that vision and is implementing and leveraging related OPS initiatives to realize it.

Key Human Resource Issues

As described in the environmental scan, there are several issues that continue to impact FSCO's human resources, including an aging workforce, staffing and compensation constraints (note: FSCO follows the OPS compensation strategy), and organizational changes. FSCO will work with the Ministry of Finance on any organizational and FTE impacts that may result from the dispute resolution system transfer to the Ministry of the Attorney General's Licence Appeal Tribunal and recommendations of the government's review of FSCO's mandate.

These factors continue to pressure FSCO's ability to recruit and retain staff and reinforce the need to build internal capacity through succession planning, knowledge transfer and staff development so that FSCO can continue to provide expert regulatory services that keep pace with an evolving marketplace.

Human Capital Plan Priorities

FSCO's human capital activities support the organization's ability to meet its strategic goals and outcomes. The activities directly contribute to the strategic outcome of being an agile and adaptable organization. FSCO will build its capacity to be nimble, flexible and forward-looking in delivering its mandate in the changing internal and external environment. It will do this by building a culture that embodies the principles of the regulatory framework and provides the supportive processes that promote knowledge transfer, develop transferable skills, and empower staff to make risk-based decisions.

In addition to supporting the overall achievement of FSCO's Strategic Plan, the Plan identifies several operational outcomes with a human capital focus:

- Implement a strategic professional development program;
- Promote skill and knowledge transfer;
- Develop a strategic succession management plan; and
- Implement effective staff engagement strategies.

Related initiatives are supported by workforce analysis and planning. Over the next three years, additional initiatives will be developed to help realize the operational outcomes that are identified in FSCO's Strategic Plan.

Information Technology (IT) Plan

The Enterprise Business Solutions (EBS) Branch is responsible for FSCO's business systems development, computer networks, internet services and telephone communications and project management needs. These services are crucial to the delivery of services that FSCO provides to both consumers and the regulated sectors.

FSCO will continue to be an innovative leader in online service delivery among its peers, across Canada. FSCO is frequently recognized as a public service innovator by way of nominations and awards in the Ontario Public Service.

In addition to being innovative and providing excellent service delivery, FSCO's EBS team possesses expert knowledge of its business rules and processes, and is a true partner to the program/business areas it supports. The group follows a risk-based approach during the operational planning and service delivery processes to ensure IT projects and initiatives provide value to the organization. The group also provides security management, backup and recovery procedures to ensure the integrity and availability of all of FSCO's IT systems.

IT Priorities

EBS has three main priorities for the next three years:

- Implementing the Enterprise Development Project (EDP)
- Implementing the Enterprise Resource Planning Project (ERP)
- Implementing the Enterprise Business Architecture Program (EBAP)

FSCO has identified EDP, ERP and EBAP as opportunities that will benefit the auto insurance sector, the sectors other than auto insurance, the pensions sector, MVACF and the FST. All of these priorities align with FSCO's strategic outcome "common and integrated processes enabled by integrated technology solutions." The group's priorities also closely align with the program/business areas' priorities. In addition, these priorities focus on reducing FSCO's technology footprint and reliance on fee-for-service consultants.

FSCO's EBS staff resources will work to ensure that IT outcomes compliment requirements that may arise from the current Mandate Review of the agency expected to be finalized in 2016.

IT Implementation Plan

Table 7 provides a list of IT projects that are related to FSCO's IT priorities, as well as a high-level implementation timeline.

Table 7: IT Implementation Plan

Name of Project	Activities	Implementation Timeline		
		2016-17	2017-18	2018-19
EDP	Integrate several aging computer platforms and databases into one comprehensive enterprise licensing and stakeholder relationship system. The focus of this project is to identify common components and standardize business processes.			
ERP	Implement an Enterprise Resource Planning system to automate most routine financial processes and to provide FSCO with the capability to perform real-time financial analysis.			
EBAP	• Defining the target architecture and developing an IT road map; • Defining the scope, priority and timeline of potential FSCO initiatives; • Enhancing FSCO's IT organization and capacity; • Reviewing FSCO's IT processes and procedures; and • Publishing an IT service catalogue and the associated service level agreement (SLA).			

Communications Plan

FSCO works to inform stakeholders and consumers about its actions in the regulated sectors and marketplace. FSCO uses an array of products and platforms to do this. Communication of its regulatory activities and functions supports compliance and consumer protection and education; and it benefits financial services consumers, pension plan beneficiaries, and regulated entities.

FSCO's communications plan takes into account the overarching need to mitigate risk by enhancing the level of communication around key corporate initiatives and their associated regulatory outcomes.

Communication initiatives are aligned with the strategic outcome of awareness of FSCO's actions in the financial services marketplace and directly associated with the following operational outcomes from the 2015–18 Strategic Plan:

- Improve on-going communication with the public and stakeholders;
- Seek, evaluate and respond to feedback from the public and stakeholders;
- Increase transparency and communication of core regulatory functions;
- Design tools and use information that supports the principles of the risk-based approach; and
- Optimize research and market intelligence in support of regulatory decision-making.

As stated in the 2015 Ontario Budget, financial literacy has become increasingly important. FSCO, as well as other government agencies, have responded to this growing need by introducing and promoting financial literacy initiatives to help individuals make informed financial and investment choices.

FSCO will also continue to issue bulletins and news releases to keep stakeholders and consumers up-to-date on its actions and will meet with stakeholders to update them on regulatory news. The level of awareness of these activities help promote compliance and increased consumer protection in the regulated sectors.

Communications Initiatives

FSCO has a number of communications initiatives planned for 2016–19. Table 8 provides an overview of the key areas of focus.

Table 8: Communications Initiatives

Communications initiative/project	Planned Outcomes	2016-17	2017-18	2018-19
Anti-Fraud Consumer Education and Engagement	• Promote FSCO's anti-fraud resources through FSCO's Twitter account, on an ongoing basis. • Host a bi-weekly live twitter chat (#Fraudchat) to raise awareness of anti-fraud resources.			

Communications initiative/project	Planned Outcomes	2016-17	2017-18	2018-19

	• Participate in Fraud Prevention Month on an annual basis. Examples of potential/planned activities include:
	  • media outreach
	  • kick-off event (in coordination with the Toronto Police)
	  • FSCO exhibit (booth, presentation & interactive activities)
		(March)	(March)	(March)

Financial Literacy Consumer Education and Engagement	• Participate in Financial Literacy Month on an annual basis. Examples of potential/planned activities include:
	  • media outreach
	  • kick-off event (in coordination with the Toronto Police)
	  • FSCO exhibit (booth, presentation & interactive activities)
	  • Tips on Twitter account
	  • #Fraudchats
		(November)	(November)	(November)

FSCO Website Enhancements	• Modernize and re-design FSCO's website to ensure it is mobile-friendly and WCAG Level 2.0 AA compliant. • Provide a better web experience for individuals who access FSCO's website through tablets and smart phones.			
	• Implement new digital media services, tools and resources that will provide consumers and licensees the tools and information they need to comply with legislation, and make educated decisions about their financial well-being. Potential tools and resources include: mobile applications, videos, calculators, interactive games/quizzes, podcasts and webinars.			

Communications initiative/project	Planned Outcomes	2016-17	2017-18	2018-19
Enterprise Development Program (EDP)	• Execute a comprehensive communications plan for FSCO's multi-year plan to develop an enterprise system solution that supports FSCO's three strategic priorities. This communications plan will focus on both internal and external communications with FSCO staff, licensees in various regulated sectors and consumers. • Communications will focus on informing FSCO staff and licensees about the new web portal and its benefits, and provide information on how to use it.			
Enterprise Resource Planning (ERP) System	• Execute an internal communications plan to support FSCO's multi-year plan to develop an enterprise system solution that transforms FSCO's manual back office operation with automated processes. • Communications will focus on informing FSCO staff and the Ministry of Finance about the new system and its benefits.			
Auto Insurance Communications	• Execute a strategy to communicate with Ontario drivers on new legislation, regulation or guidelines aimed at reducing auto insurance costs such as regulations for the towing and vehicle storage industries. • Conduct a communications outreach plan to educate and encourage the understanding and adoption of the new CTI care pathways by the medical/rehabilitation community and by insureds.			
	• Support the Ministry of Finance and the Ministry of the Attorney General in the transition of dispute resolution services to the Licence Appeal Tribunal by communicating regarding the winding up of cases in progress prior to April 1, 2016.			

Communications initiative/project	Planned Outcomes	2016-17	2017-18	2018-19
Pensions Communications	• Support the Ministry of Finance in the development and implementation related to new legislative initiatives (e.g., Ontario Retirement Pension Plan). • Undertake to develop communications with respect to Pooled Registered Pension Plans and CAPSA Pension Plan Governance Guidelines.			
Mortgage Brokering Communications	• Communicate important information to the mortgage brokering sector, to ensure they are compliant with the Mortgage Brokerages, Lenders and Administrators Act (MBLAA) and regulations (e.g., Annual Information Returns, licensing renewals, errors and omissions insurance, enforcement activity).			
Health Service Provider Communications	• Produce communications to foster maturation of service provider licensing and regulation realm and to advance understanding of requirements by the service provider community. Communicate best practices, on-site examination findings, Annual Information Return findings, and regulatory actions.			
New Long-term Disability Insurance Benefits Regulations	• Support the Ministry of Finance in developing and implementing the proposed new regulatory regime to ensure all Ontario businesses understand their obligations under section 115.1 of the Insurance Act. This work includes strategic communications to insurers, ASOs, intermediaries, advisors, employers and workers to be impacted by the new regulations.			

Communications initiative/project	Planned Outcomes	2016-17	2017-18	2018-19
Insurance Communications	• Develop communications with respect to: ○ Harmonized Life Licence Qualification Program (LLQP) ○ Cooperative Market Conduct Supervisory Framework and its benefits to brokers, agents and consumers. ○ Travel Insurance Study to rebuild consumer confidence in travel insurance			

The Motor Vehicle Accident Claims Fund (MVACF)

MVACF's Responsibilities

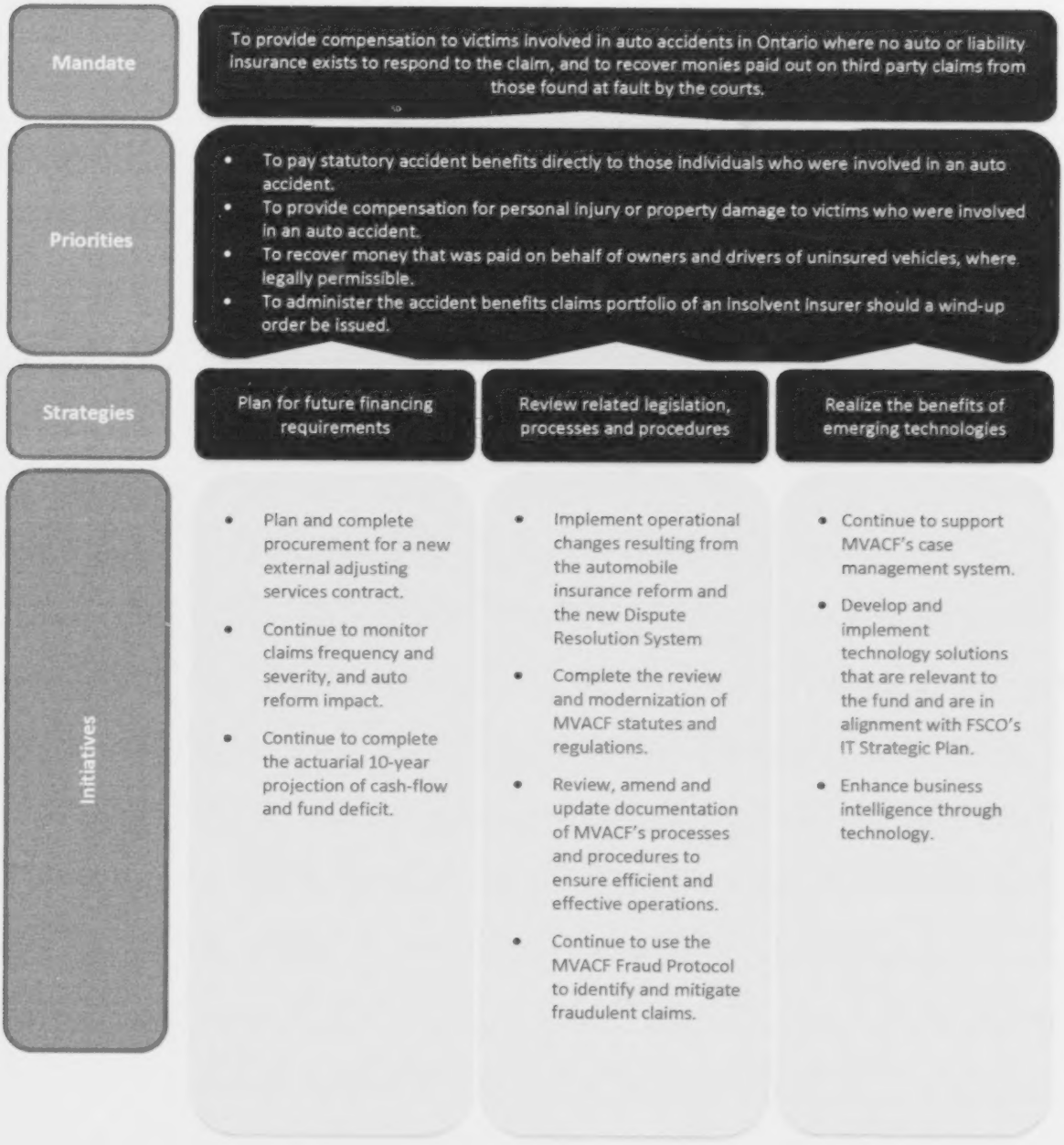
MVACF is established under the authority of the Motor Vehicle Accident Claims Act (MVAC Act) as a special purpose fund that reports its financial statements in Volume 2c of the Public Accounts. The business unit that runs MVACF is part of FSCO's Automobile Insurance Division.

MVACF is considered to be the "payer of last resort", as it provides compensation for statutory accident benefits to people who were injured in automobile accidents in situations where no automobile insurance exists, or a hit and run took place. MVACF also provides compensation for personal injury or property damage to people involved in automobile accidents with an uninsured or unidentified driver, in situations where no liability insurance exists. MVACF works to recover money that was paid on behalf of the owners and drivers of uninsured vehicles, and has the power to suspend the drivers' licences of those individuals who are indebted to MVACF, where legally possible.

MVACF's Strategic Direction and Initiatives

MVACF's mandate, priorities, strategies and initiatives are outlined in Figure 2.

Figure 2


Mandate
To provide compensation to victims involved in auto accidents in Ontario where no auto or liability insurance exists to respond to the claim, and to recover monies paid out on third party claims from those found at fault by the courts.
Priorities
To pay statutory accident benefits directly to those individuals who were involved in an auto accident.
To provide compensation for personal injury or property damage to victims who were involved in an auto accident.
To recover money that was paid on behalf of owners and drivers of uninsured vehicles, where legally permissible.
To administer the accident benefits claims portfolio of an insolvent insurer should a wind-up order be issued.
Strategies
Plan for future financing requirements
Review related legislation, processes and procedures
Realize the benefits of emerging technologies
Initiatives
Plan and complete procurement for a new external adjusting services contract.
Continue to monitor claims frequency and severity, and auto reform impact.
Continue to complete the actuarial 10-year projection of cash-flow and fund deficit.
Implement operational changes resulting from the automobile insurance reform and the new Dispute Resolution System
Complete the review and modernization of MVACF statutes and regulations.
Review, amend and update documentation of MVACF's processes and procedures to ensure efficient and effective operations.
Continue to use the MVACF Fraud Protocol to identify and mitigate fraudulent claims.
Continue to support MVACF's case management system.
Develop and implement technology solutions that are relevant to the fund and are in alignment with FSCO's IT Strategic Plan.
Enhance business intelligence through technology.

MVACF's Activities and Accomplishments

In 2014-15, MVACF paid out $13 million in accident benefits to over 463 claimants, and $4 million for 80 third-party claims from victims of uninsured vehicles and hit and run drivers. These statutory payments are not expected to increase significantly in the next three years.

MVACF continued with its reorganization that will be completed during 2015-16. This restructuring will better position the fund to respond to current and future operational demands. The fund completed the software upgrade of its Case Management System, extending the life of the system and reducing the risk of potential interruptions from system failures. FSCO and the fund are working in the planning and development of a new system for implementation in the next 2-3 years.

MVACF's Financial Information

MVACF gets its funding through a separate vote item under the Interim Payment Authority Section 15 of the Financial Administration Act (FAA). The operational expenses and statutory claims payments are made directly out of the Consolidated Revenue Fund (CRF) with MVACF reimbursing the CRF at the end of the fiscal year. Drivers' licence fees and payments from debtors under the Motor Vehicle Accident Claims Act, go toward the revenues for the fund.

The annual spending authority and budget appropriation are requested through the government's Program Review, Renewal and Transformation (PRRT) exercise.

In 2015-16, MVACF, with 25 approved full-time staff (FTEs), requested a spending authority of $10.3 million and a budget appropriation of $1,000. Table 9 provides details on MVACF's spending authority and Table 10 sets out the allocation outlook.

Table 9: MVACF's 2016–19 Spending Authority Outlook by Major Expenditure Type ($000)

Expenditure Type	Average % Change Year-over-Year for 2016-19	2016-17 ($)	2017-18 ($)	2018-19 ($)	2016-17 over 2015-16	2017-18 over 2016-17	2018-19 over 2017-18
FTEs		25	25	25			
Salaries and Wages	3.0%	2,323.3	2,463.0	2,463.0	3.0%	6.0%	0.0%
Benefits	1.1%	348.5	355.9	355.9	2.9%	2.1%	0.0%
Total Salaries and Benefits	**2.8%**	**2,671.80**	**2,818.90**	**2,818.9**	**3.0%**	**5.5%**	**0.0%**
Transportation and Communication	-2.1%	88.6	82.1	84.6	6.7%	-7.3%	3.0%
Services	3.0%	7,640.5	7,867.9	8,103.9	3.0%	3.0%	3.0%
Supplies and Equipment	-15.7%	174.4	114.4	117.8	0.5%	-34.4%	3.0%
Total ODOE	**2.5%**	**7,903.5**	**8,064.0**	**8,306.3**	**3.0%**	**2.0%**	**3.0%**
Total DOE	**2.6%**	**10,575.3**	**10,883.3**	**11,125.2**	**3.0%**	**2.9%**	**2.2%**

Table 10: MVACF's 2016–19 Spending Authority Allocation Outlook ($000)

Transaction Type	Requested Budget Appropriation ($)			Year-Over-Year % Increase / (Decrease)		
	2016-17	2017-18	2018-19	2016-17 over 2015-16	2017-18 over 2016-17	2018-19 over 2017-18
Expenses	10,575.3	10,883.3	11,125.2	3.0%	2.9%	2.2%
Recoveries	10,574.3	10,882.3	11,124.2	3.0%	2.9%	2.2%
Net Operating (Expenses)/Revenues	**(1.0)**	**(1.0)**	**(1.0)**	**0.0%**	**0.0%**	**0.0%**

The Financial Services Tribunal

Mandate and Responsibilities

The Financial Services Tribunal (FST) is an independent, expert adjudicative body composed of nine to fifteen part-time members, including the Chair and two Vice-Chairs of the Commission.

FSCO provides the FST with supporting staff, space, information technology resources, and financial funding.

The FST exercises the powers conferred under the FSCO Act and other acts that confer powers on, or assign duties to the FST. It has exclusive jurisdiction to determine all questions of fact or law that arise in any proceeding before it. The FST has the authority to make rules regarding the practices and procedures that are applicable to the proceedings before it. It also has the authority to order a party to a proceeding before the FST, to pay the costs of another party, or the FST's costs for the proceeding in limited circumstances.

The government is reviewing the FST's mandate as well as the mandates of FSCO and DICO. The Tribunal made submissions in response to the Expert Advisory Panel's consultation paper. The expert panel is expected to deliver its recommendations to the government in 2016. The Tribunal recognizes that the recommendations and subsequent adoption may have an effect on its governance structure, areas of responsibility and related workload and need to revise membership.

Strategic Direction and Initiatives

The vision, priority, strategies and initiatives of the FST are outlined in Figure 3.

Figure 3

Vision	To provide expert adjudicative services to the citizens of Ontario as outlined in the FSCO Act.		
Priority	To administer all cases before the FST in an efficient, fair, accessible and effective manner.		
Strategies	Maintain a pool of qualified members to adjudicate hearings	Expand dialogue with members of the legal profession	Update the FST's practices and procedures
Initiatives	• Ensure appropriate expertise is available and allocated to staff panels appointed to hear FST matters. • Arrange for supplementary training as required.	• Continue consultations with the FST's Legal Advisory Committee.	• Review and update practices which may require revisions as a result of legislative changes. • Publish results against service standards. • Review and revise performance standards as required.

Achievements

In 2015, the Tribunal updated its practices in response to the legislative changes to manage the additional workload of disciplinary hearings for agents and adjusters with the elimination of the Advisory Board.

Performance Measures

In accordance with the OPS Service Directive, the FST has service standards to meet the Directive's mandatory requirements, as shown in Table 11. For a listing of the FST service standard results, please visit the FST Home/Service Standards page at: http://www.fstontario.ca

Table 11: FST Performance Measures

Measure	Target
Acknowledgement letter to be sent within 5 calendar days	100%
Pre-hearing dates to be confirmed within 35 calendar days of filing a perfected Request for Hearing or Notice of Appeal	90%
FST decisions to be issued within 90 calendar days	90%

The long-term outcome for the FST is that through clarity in the application of requirements in financial services regulation there will be greater confidence in the financial services sectors and the independent adjudication process. The FST has developed Rules of Practice and Procedures for hearings before the Tribunal and conflict of interest guidelines, which are regularly reviewed.

Risk Mitigation Plan

To provide expert adjudicative services on decisions made by the Superintendent of Financial Services or the Deposit Insurance Corporation of Ontario, the FST established controls and action plans to manage risks that may impact the organization.

The FST's risks may challenge its operations: the threat of an expanding workload the threat of achieving the appropriate balance of freedom of information, privacy and transparency, and the risk of ensuring sufficient membership to meet the needs of the FST. The FST also identified one workforce risk: the risk of ensuring its workforce has the proper capacity, skills and knowledge to meet organizational needs. The FST has put in place a number of internal governance controls and action plans to appropriately address the risks and maintain a "low" residual rating.

Table 12 outlines the risks and risk rating.

Table 12: FST's Risk Assessment

Risk Category	Risk	Risk Rating
Operational	Insurance Act amendments may create a risk that the FST may be unable to address an increase in caseloads in a timely manner.	Low
	A risk may exist that the FST may not achieve appropriate balance of freedom of information (FOI), privacy, and transparency consideration in FST decisions and processes.	Low
	Lack of sufficient membership may lead to insufficient sector and/or adjudicative expertise or application of their expertise.	Low
Workforce	The FST faces the risk that a lack of appropriate sector and/or adjudicative expertise within the membership may lead to appeals or judicial reviews.	Low

Appendix 1 – FSCO Organizational Chart